

Message Text

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ORIGIN EB-07

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DRAFTED BY EB/IFD/OMA:MMINNIES:JB

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R 012301Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY LISBON

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E.O. 11652:N/A

TAGS:EFIN

SUBJECT:PRIVATE BANK LOAN TO CPE

REF: LISBON 3887

1. DEPT WAS CONTACTED JULY 31 BY RICHARD YANCY, MANAGEMENT DIVISION, DILLION READ AND CO., NEW YORK, CONCERNING ISSUE RAISED REFTEL. HE EXPLAINED DELAY DUE TO TRAVEL BY MAGNONI, WHO IS NOW STATIONED IN ITALY.

2. YANCY INDICATED THAT SHORTLY AFTER MAY 15 MEETING CITED REFTEL, MAGNONI SENT GONCALVES A LETTER REITERATING DILLION READ'S POSITION ON PROPOSED BANKING CONSORTIUM LOAN TO CPE. MAGNONI RECOMMENDED IN LETTER THAT FINAL DECISION AND TIMING AWAIT A READOUT OF INTERNATIONAL MARKET REACTION TO AID GUARANTEED HOUSING PROJECT LOAN OF SOCIEDAD PORTUGUESA FINANCIERA, AS WELL AS OUTCOME OF TALKS WITH WORLD BANK (LATTER IS PROBABLY REFERENCE TO JULY 1 REPORT OF IBRD, BUT YANCY WAS NOT CERTAIN). MAGNONI HAD PREVIOUSLY TOLD BOTH GONCALVES AND CRUZ THAT MARKET WAS LIMITED FOR PORTU-
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GUESE FINANCIAL PAPER, EVEN WITH AID GUARANTEE, AND THAT

THESE TWO LOANS WOULD PROVIDE A BETTER IDEA OF WHAT COULD BE EXPECTED FROM MARKET.

3. DILLION READ DOES NOT BELIEVE GONCALVES RESPONDED TO LETTER BUT THEY ARE STILL CHECKING. NEVERTHELESS, NOTHING IS PROGRESSING ON THE CPE LOAN AND HE INDICATED THERE WAS LITTLE CHANCE OF ANYTHING BEING DONE IN THE NEAR FUTURE IN LIGHT OF PRESENT POLITICAL SITUATION IN PORTUGAL. WHILE MAGNONI APPARENTLY HAS NO PLANS TO APPROACH GOP ON THE MATTER AT THIS TIME, HE DOES VISIT CLIENTS PERIODICALLY IN PORTUGAL ON OTHER MATTERS. SHOULD EMBASSY WISH TO DISCUSS MATTER FURTHER WITH MAGNONI, DEPT. COULD ASK DILLION READ TO HAVE MAGNONI CONTACT EMBASSY DURING HIS NEXT TRIP. INGERSOLL

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